

**Verizon New England Inc.
d/b/a Verizon Massachusetts**

Commonwealth of Massachusetts

D.T.E. 01-31

Respondent: William Taylor
Title: Senior Vice President, NERA

REQUEST: Attorney General, Set #1

DATED: July 5, 2001

ITEM: AG-VZ 1-1 Please refer to the direct testimony of William E. Taylor, page 4, line 12, where he states: "...entry into Massachusetts' retail telecommunications markets is comparatively easy."

- a. Please define with specificity the phrase "comparatively easy" as used by the witness.
- b. To what is "entry into Massachusetts'" retail telecommunications markets" being "compared" by the witness?
- c. Has the witness performed, caused to be performed, or reviewed any quantitative studies or analyses in which the specific "comparison(s)" identified in response to item (b) of this request are being made? If the response is anything other than an unqualified negative, identify and provide complete copies of any and all such studies and analyses.

- REPLY:**
- a. "Comparatively easy" is used to indicate the fact that barriers to entering the local exchange markets in Massachusetts are low. Competitors can purchase unbundled network elements and interconnection at forward-looking economic cost and can purchase resale services and quickly provide service with virtually no sunk investment. Competitors are providing service and are successfully competing with Verizon.
 - b. The comparison is to other telecommunications and non-telecommunications markets and other local exchange telecommunications markets in the absence of the Telecommunications Act requirements. Entry barriers in retail

REPLY: AG-VZ 1-1
(cont'd)

telecommunications in Massachusetts are low in part due to the existence and availability of UNEs. The existence of UNEs lowers the sunk cost incurred to provide service. The absence of using a competitor's infrastructure to provide service in other markets in Massachusetts increases the sunk costs of entering the market.

- c. The witness has undertaken several studies that examine the extent of competition in local exchange markets. These include:

?? Federal Communications Commission, *In the Matter of Application by Verizon New England Inc., et. al. for Authorization to Provide In-Region, InterLATA Services in Massachusetts*, on behalf of Verizon New England, Appendix A, declaration regarding competition in Massachusetts and the public interest benefits of interLATA entry, September 19, 2000, Reply Declaration filed November 3, 2000. Supplemental Reply Declaration filed February 28, 2001.

?? Federal Communications Commission *In the Matter of Application by Verizon New England Inc., et. al. for Authorization to Provide In-Region, InterLATA Services in Connecticut*, on behalf of Verizon New England, Appendix A, declaration regarding competition in Connecticut and the public interest benefits of interLATA entry, May 24, 2001.

?? Pennsylvania Public Utility Commission (Docket No. M-00001435) on behalf of Verizon-Pennsylvania, Inc.: affidavit regarding the public interest benefits of Verizon entry into interLATA services. Filed January 8, 2001.

?? New York Public Service Commission (Case 00-C-1945) on behalf of Verizon-New York, Panel Testimony on the New York competitive marketplace, filed May 15, 2001.

?? New Jersey Board of Public Utilities (Docket No. TO 99120934) on behalf of Bell Atlantic-New Jersey, direct testimony regarding reclassification of services as competitive. Filed May 18, 2000.

REPLY: AG-VZ 1-1
(cont'd)

Copies of the studies are voluminous. Electronic copies are attached. Paper copies will be provided to the Department and to the Attorney General's office. Other parties wishing to review paper copies of the material may do so at a mutually agreeable time at the Company's premises at 125 High Street in Boston.

The witness has also reviewed many studies that bear on entry barriers for local competition: the most recent FCC Local Competition Report is the factual basis for many of them. The CLEC 2001 Study by New Paradigm Resources Group, Inc. is another source.

**Verizon New England Inc.
d/b/a Verizon Massachusetts**

Commonwealth of Massachusetts

D.T.E. 01-31

Respondent: William Taylor

Title: Senior Vice President, NERA

REQUEST: Attorney General, Set #1

DATED: July 5, 2001

ITEM: AG-VZ 1-2 Please refer to the direct testimony of William E. Taylor, page 4, line 12, where he states: "...entry into Massachusetts' retail telecommunications markets is comparatively easy."

- a. Does the witness offer the same opinion with respect to Massachusetts' *wholesale* telecommunications markets?
- b. If the response to (a) is anything other than an unqualified negative,
 - (1) Please define with specificity the phrase "comparatively easy" as used by the witness in the context of this response.
 - (2) To what is "entry into Massachusetts' *wholesale* telecommunications markets" being "compared" by the witness?
 - (3) Has the witness performed, caused to be performed, or reviewed any quantitative studies or analyses in which the specific "comparison(s)" identified in response to item (b)(2) of this request are being made? If the response is anything other than an unqualified negative, identify and provide complete copies of any and all such studies and analyses.
- c. If the response to (a) is anything other than an unqualified affirmative, has the witness performed, caused to be performed, or reviewed any quantitative studies or analyses upon which he relies in support of the specific "comparison(s)" identified in response to item (a) of this request are being made? If the response is anything other than an unqualified negative, identify and provide complete copies of any and all such studies and analyses.

REPLY: AG-VZ 1-2
(cont'd)

- a. Barriers to entering Massachusetts wholesale telecommunications markets vary depending on the relevant geographic market. In urban geographic markets where economies of density are large and demand is high, entry barriers are low and entry is comparatively easy. In other geographic markets, conditions may only support a small number of wholesale providers so entry would not be comparatively easy.
- b.
 - 1. "Comparatively easy" in the context of this response means the ability of potential competitors to enter the market in response to profitable opportunities within a short time period without incurring significant sunk costs. Market power analyses, as described, for example, in the U.S. Department of Justice *Merger Guidelines*, usually use a 2 year time period.
 - 2. It is being compared to those telecommunications and non-telecommunications markets where sunk costs are significant and barriers to entering and exiting the market are high.
 - 3. No.
- c. No.

**Verizon New England Inc.
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Commonwealth of Massachusetts

D.T.E. 01-31

Respondent: William Taylor
Title: Senior Vice President, NERA

REQUEST: Attorney General, Set #1

DATED: July 5, 2001

ITEM: AG-VZ 1-3 Please refer to the direct testimony of William E. Taylor, page 4, line 13, where he states: "... competitive pressure is brought to bear on retail prices for all services in all geographic areas."

- a. Has the witness performed, caused to be performed, or reviewed any quantitative studies or analyses in which the extent of such specific "competitive pressure ... on retail prices" is calculated or estimated? If the response is anything other than an unqualified negative, identify and provide complete copies of any and all such studies and analyses.
- b. With respect to non-facilities-based competition confronting Verizon MA at the retail level, has the witness performed, caused to be performed, or reviewed any quantitative studies or analyses that calculate the dollar magnitude of the operating margins available to competing retail providers between the Verizon MA retail price levels for comparable services and the Verizon MA wholesale (including both bundled services for resale and unbundled network elements) price levels that would confront such competing retail providers? If the response is anything other than an unqualified negative, identify and provide complete copies of any and all such studies and analyses.
- c. With respect to partially facilities-based competition confronting Verizon MA at the retail level (*e.g.*, where Verizon MA provides the UNE loop or special access line and the CLEC provides the end office switching functions), has the witness performed, caused to be performed, or reviewed any quantitative studies or analyses that

ITEM: AG-VZ 1-3
(cont'd)

calculate the dollar magnitude of the operating margins available to competing retail providers between the Verizon MA retail price levels for comparable services and the Verizon MA wholesale (including both bundled services for resale and unbundled network elements) price levels that would confront such competing retail providers? If the response is anything other than an unqualified negative, identify and provide complete copies of any and all such studies and analyses.

- d. Has the witness performed, caused to be performed, or reviewed any quantitative studies or analyses that compare the retail price levels being charged by Verizon MA and the retail price levels being charged by competing providers for services that the witness believes to be comparable in the Massachusetts local exchange service market? If the response is anything other than an unqualified negative, identify and provide complete copies of any and all such studies and analyses.
- e. Has the witness performed, caused to be performed, or reviewed any quantitative studies or analyses of CLEC retail prices and underlying costs (including both payments for Verizon MA for wholesale services and UNEs and additional costs incurred by the CLEC in providing its services to retail customers) that assess the potential extent to which a CLEC can expect to operate profitably in the Massachusetts local exchange service market? If the response is anything other than an unqualified negative, identify and provide complete copies of any and all such studies and analyses.

REPLY:

- a. No.
- b. No, but the operating margins available to competing retail providers that (i) resell Verizon's retail telecommunications services depend on the wholesale discount set by the Department and (ii) lease Verizon's UNEs depend on the prices of those elements which are set by the Department.
- c. See Part (b).
- d. No.
- e. No.

**Verizon New England Inc.
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Commonwealth of Massachusetts

D.T.E. 01-31

Respondent: William Taylor
Title: Senior Vice President, NERA

REQUEST: Attorney General, Set #1

DATED: July 5, 2001

ITEM: AG-VZ 1-4 Please refer to the direct testimony of William E. Taylor, page 4, line 14, where he states: "... the additional threat of entry from large, well-known telecommunications firms presently supplying other services to Massachusetts customers effectively disciplines Verizon's retail prices even if there were little current competition on the ground."

- a. Define precisely and quantitatively what the witness means by the phrase "effectively disciplines Verizon's retail prices."
- b. Has the witness performed, caused to be performed, or reviewed any quantitative studies or analyses upon which he relies to support this statement? If the response is anything other than an unqualified negative, identify and provide complete copies of any and all such studies and analyses.
- c. Has the witness performed, caused to be performed, or reviewed any quantitative studies or analyses of the cross-price elasticity(ies) confronting Verizon MA with respect to prices being charged by actual competitors or threatened by potential competitors offering or potentially offering comparable services in the Massachusetts local exchange service market? If the response is anything other than an unqualified negative, identify and provide complete copies of any and all such studies and analyses.
- d. Has the witness had any specific discussions, correspondence or other communication with Verizon, Verizon MA, or other

ITEM: AG-VZ 1-4
(cont'd)

personnel of any Verizon affiliate regarding the precise nature and extent of any specific “threat” that Verizon or Verizon MA perceives it confronts from “entry from large, well-known telecommunications firms presently supplying other services to Massachusetts, ” and specifically with respect to the quantitative impact upon Verizon MA’s market share, growth, total revenues, or other impacts associated with such entry? If the response is anything other than an unqualified negative, describe in detail the nature of all such communication, including date(s), names of personnel involved, nature of facts, opinions, formal or informal assessments, or other items discussed, and any written documents obtained or produced as a result of such communication.

REPLY:

- a. “Effectively disciplines Verizon’s retail prices” means that when barriers to entering a market are low, pricing above competitive levels cannot be sustained and that even if there were no actual competitors actively participating in the market, Verizon’s pricing would be constrained.
- b. No. The witness’s evidence is theoretical, not empirical.
- c. No.
- d. Dr. Taylor has had frequent discussions with many Verizon personnel over many years regarding telecommunications competition in Massachusetts. However, Dr. Taylor recalls no specific references to quantitative impacts from entry by large, well-known telecommunications carriers.

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D.T.E. 01-31

Respondent: William Taylor
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REQUEST: Attorney General, Set #1

DATED: July 5, 2001

ITEM: AG-VZ 1-5 Please refer to the direct testimony of William E. Taylor, page 4, line 20, where he states: "Moreover, the increased demand of customers for packaged services provided by a single supplier through one-stop-shopping reduces the advantages of incumbency in all markets. Verizon is an incumbent local exchange carrier, and other firms are incumbent in markets from which Verizon Massachusetts is currently excluded (that is, interLATA toll and data markets), so that in selling additional services in a package to a current customer, it is no longer clear who is the entrant and who is the incumbent." If the witness intends to modify this statement in light of developments that have occurred subsequent to its filing, please provide the specific modification that the witness will offer.

REPLY: Dr. Taylor does not intend to modify this statement.

**Verizon New England Inc.
d/b/a Verizon Massachusetts**

Commonwealth of Massachusetts

D.T.E. 01-31

Respondent: William Taylor
Title: Senior Vice President, NERA

REQUEST: Attorney General, Set #1

DATED: July 5, 2001

ITEM: AG-VZ 1-6 Please refer to the direct testimony of William E. Taylor, page 6, line 10, where he states: "According to Verizon data, there were at least 184,844 residential lines being served by competitors in January 2001, compared to 121,229 total lines being served in July 2000 – representing a growth rate of 52 percent in 6 months or over 100 percent on an annualized basis. Between September 2000 and January 2001, the total number of access lines (residential and business) that competitors served grew from an estimated 731,000 to 851,000 – an increase of 16 percent in just five months."

- a. Provide the source documents from which this "Verizon data" was extracted.
- b. Provide the total number of lines being provided by Verizon MA to retail customers for the corresponding dates (*i.e.*, July 2000, September 2000 and January 2001).
- c. Indicate the number of lines being provided by Verizon MA to CLECs for resale for the corresponding dates (*i.e.*, July 2000, September 2000 and January 2001).
- d. Indicate the number of lines being provided by Verizon MA to CLECs as UNE-Platform arrangements for the corresponding dates (*i.e.*, July 2000, September 2000 and January 2001).
- e. Indicate the number of lines being provided by Verizon MA to CLECs as UNE-loops for the corresponding dates (*i.e.*, July 2000, September 2000 and January 2001).

REPLY:

Please see the Company's reply to DTE 2-11.

- a. The data for CLEC E911 listings comes from the ALISA (Automatic Location Information Switching Adjunct) database. This database is managed by Verizon MA and contains all of the E911 listings for Massachusetts (and other states). CLECs are responsible for maintaining the proper E911 listings for their respective customers. See the attached source report for competitive data.
- b. through e. The data requested is provided in the table below. In addition to the items requested, data has been provided for the number of CLEC E911 listings. Verizon MA uses this data as an estimate of CLEC facility-based lines. This data is needed to determine the overall level of CLEC activity.

<u>Access Lines</u>	July 2000	Sept. 2000	Jan. 2001
Retail (b)	4,377,100	4,370,300	4,323,900
Resale (c)	245,700	250,100	269,000
UNE-P (d)	11,800	14,900	27,300
E911	418,300	466,300	554,700
Total Competitive Lines	675,800	731,300	851,000
UNE Loop (e)	40,300	55,500	85,000

**Verizon New England Inc.
d/b/a Verizon Massachusetts**

Commonwealth of Massachusetts

D.T.E. 01-31

Respondent: William Taylor

Title: Senior Vice President, NERA

REQUEST: Attorney General, Set #1

DATED: July 5, 2001

ITEM: AG-VZ 1-7 Please refer to the direct testimony of William E. Taylor, page 6, line 21, where he states: "Of the total 851,000 lines served by competitors in January 2001, lines served by facilities-based competition increased to (at least) 554,000 in January 2001, exhibiting an annualized growth rate between September 2000 and January 2001 of 65 percent." Provide the source of this 554,000 figure and the figure for the alleged 65 percent growth.

REPLY: Please see the Company's reply to DTE 1-2 and AG-VZ 1-6 (a) for an explanation of the source data.

The actual E911 quantities for July 2000 and January 2001 were 418,288 and 554,684, respectively. The 6 month growth rate is $(554,684/418,288)-1 = 32.6\%$. This figure is multiplied by 2 to arrive at the 65.2% annualized growth rate.

**Verizon New England Inc.
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Commonwealth of Massachusetts

D.T.E. 01-31

Respondent: William Taylor

Title: Senior Vice President, NERA

REQUEST: Attorney General, Set #1

DATED: July 5, 2001

ITEM: AG-VZ 1-8 Please refer to the direct testimony of William E. Taylor, page 7, line 19, where he states: "RCN is another effective competitor in Massachusetts. A comparison of RCN Platinum service with an equivalent package constructed by Verizon shows that RCN has a price advantage of more than \$75 per month over Verizon."

- a. Identify the specific communities in which RCN is currently offering basic residential or business telephone service in Massachusetts. For each such community, indicate the number of residential and business customers (separately) currently being served by RCN.
- b. Identify the specific communities in which RCN has obtained construction or other entry authorization but in which no or only limited service is currently being provided. For each such community, indicate: (1) the date at which the construction or entry authority was granted by the municipality or other local franchising authority, (2) the date that construction commenced, (3) the present status of such construction, and (4) the date at which the full build-out is currently expected to be completed.

REPLY: a.) The best source of information on the specific communities served by RCN would be either to request such data from RCN or to review RCN's tariffs. Attached is a portion of RCN's tariffs which indicate that RCN offers its services throughout the 128 LATA in Massachusetts.

Verizon MA has two sources of data on the markets served by RCN that clearly demonstrate that RCN is an effective competitor in Massachusetts. The first data source is the number of wholesale services that RCN purchases from Verizon MA

REPLY: AG-VZ 1-8
(cont'd)

grouped by area code. See the attached chart. These data are the confidential and proprietary information of RCN that may not be disclosed by Verizon MA without its authorization. The information is, accordingly, being provided only to the Department.

The second data source is the "CLEC 2001 Study" published by New Paradigm Resources Group, Inc. This report indicates that RCN:

?? Seeks to become a single source provider of residential services,

?? Has more than 32,000 miles of fiber cable in place,

?? Has a Lucent 5ESS switch in Boston,

?? Has entered a joint venture with Boston Edison, and

?? Serves the residence market in Allston, Belmont, Boston, Brookline, Brighton, Burlington, Dedham, Framingham, Hyde Park, Lexington, Needham, Newton, Norwood, Quincy, Randolph, Somerville, Wakefield, Waltham, Watertown, and Woburn.

- b.) Verizon does not routinely track the construction or other entry authorizations required by its competitors. Verizon has information related to the licensing of poles and conduit to its wholesale customers, which might be a partial indicator of construction activity. These data are the confidential and proprietary information of RCN that Verizon MA may not disclose without its authorization. The information is, accordingly, being provided only to the Department.

**Verizon New England Inc.
d/b/a Verizon Massachusetts**

Commonwealth of Massachusetts

D.T.E. 01-31

Respondent: William Taylor

Title: Senior Vice President, NERA

REQUEST: Attorney General, Set #1

DATED: July 5, 2001

ITEM: AG-VZ 1-9 Indicate whether Dr. Taylor has personally participated in the procurement of business exchange telephone service in Massachusetts from a CLEC. If the response is in the affirmative, provide a detailed description of the service being procured, the name(s) and location(s) of the business customers involved, the quantity(ies) of service being ordered by such customers, the name(s) of the CLEC(s) from which such service(s) was(were) being purchased, the date(s) at which the order(s) for service was(were) placed, the date(s) that the service(s) was(were) installed, and whether the service(s) was(were) provided by the CLEC utilizing Verizon MA wholesale services, UNEs, special access lines, or other Verizon MA services or facilities.

REPLY: No.

**Verizon New England Inc.
d/b/a Verizon Massachusetts**

Commonwealth of Massachusetts

D.T.E. 01-31

Respondent: Robert Mudge
Title: President Verizon MA

REQUEST: Attorney General, Set #1

DATED: July 5, 2001

ITEM: AG-VZ 1-10 Identify all instances where Verizon MA initiated a request for interconnection with a CLEC. For each such instance, provide the identity of the CLEC, the date at which such request was first made to the CLEC, the date at which the CLEC responded with a draft or template interconnection agreement, the date at which Verizon MA provided its responsive comments/red-lines to the draft or template agreement, whether and the date at which an interconnection agreement was successfully negotiated between Verizon MA and the CLEC. In the event that no such successful negotiation took place, indicate what subsequent actions or initiatives were taken by Verizon MA (*e.g.*, mediation, arbitration) to secure an agreement, and the current status of the agreement or lack thereof.

REPLY: Verizon MA has had no reason to initiate a request for interconnection with a CLEC.

**Verizon New England Inc.
d/b/a Verizon Massachusetts**

Commonwealth of Massachusetts

D.T.E. 01-31

Respondent: Robert Mudge
Title: President Verizon MA

REQUEST: Attorney General, Set #1

DATED: July 5, 2001

ITEM: AG-VZ 1-12 Provide the same information as requested in item (11) separately for each Verizon MA central office.

REPLY: Verizon objects to this request on the grounds that the request is overly broad, unduly burdensome, and not reasonably calculated to lead to the discovery of admissible evidence. The data requested is not readily available on a central office basis and would require a burdensome special study to derive.

**Verizon New England Inc.
d/b/a Verizon Massachusetts**

**Commonwealth of Massachusetts
D.T.E. 01-31**

Respondent: Kevin O'Quinn
Title: Director

REQUEST: Attorney General, Set #1

DATED: July 5, 2001

ITEM: AG-VZ 1-13 For each year from 1993 through 2000 inclusive, please provide, on both total company (unseparated) and a Massachusetts intrastate jurisdictional basis, the following financial information for Verizon MA:

- a. Operating revenues;
- b. Operating expenses;
- c. Operating taxes broken out separately from expenses;
- d. Average net investment (net plant);
- e. Realized return on investment as well as return on equity;
- f. Authorized rate of return and revenue requirement.

REPLY: Verizon MA objects to the request on the grounds that it is not relevant to the Department's investigation in this Phase of the proceeding, nor is it reasonably calculated to lead to the discovery of admissible evidence. Subject to and without waiver of its objection, please see attached for parts a, b, c, d and e (realized return on investment). For the period from 1995 forward, Verizon-MA has been regulated under a price cap form of regulation in which there has been no authorized rate of return or revenue requirement. The Company has not in the ordinary course of business calculated a return on equity for the requested periods, and a special study would be required. For the period prior to 1995, the last authorized rate of return set by the Department at 13.00% return on common equity (D.P.U. 86-33-G @ p.369).

REPLY: AG-VZ 1-13 Verizon Massachusetts considers certain data responsive to this request
(cont'd) proprietary and competitively sensitive. The attached data will be
made available to the extent provided for in a mutually acceptable
Protective Agreement.

VZ # 46

**Verizon New England Inc.
d/b/a Verizon Massachusetts**

Commonwealth of Massachusetts

D.T.E. 01-31

Respondent: Kevin O'Quinn

Title: Director

REQUEST: Attorney General, Set #1

DATED: July 5, 2001

ITEM: AG-VZ 1-14 For each year from 1993 through 2000 inclusive, please provide separately the following revenues received by Verizon MA for:

- a. Residential local exchange service;
- b. Business local exchange service;
- c. Discretionary services, including vertical services;
- d. IntraLATA toll revenues;
- e. Switched access revenues, identifying separately intraLATA access revenues from interLATA access revenues;
- f. Yellow pages directory advertising.

REPLY: Verizon MA objects to the request on the grounds that it is not relevant to the Department's investigation in this Phase of the proceeding, nor is it reasonably calculated to lead to the discovery of admissible evidence.

Subject to and without waiver of its objection, please see attached for part a, b, c, d, and e. Regarding line f on the attachment, Verizon MA does not receive revenues from Yellow pages directory advertising. Prior to the year 1999, Verizon MA did receive a license fee payment from an affiliate for the right to publish white and yellow pages directories in the name of the Telephone Company. That agreement was the Directory Licensing Agreement (DLA) with NYNEX Information Systems, Inc. d/b/a Bell Atlantic Information Systems (NIRC). That agreement was terminated effective January 1, 1999.

REPLY: AG-VZ 1-14 Verizon Massachusetts considers certain data responsive to this request proprietary and competitively sensitive. The attached data will be made available to the extent provided for in a mutually acceptable Protective Agreement.

VZ # 47

**Verizon New England Inc.
d/b/a Verizon Massachusetts**

Commonwealth of Massachusetts

D.T.E. 01-31

Respondent: Kevin O'Quinn
Title: Director

REQUEST: Attorney General, Set #1

DATED: July 5, 2001

ITEM: AG-VZ 1-15 If the response to AG-VZ-1-14(f) is other than the net operating profit generated by the Verizon (formerly Bell Atlantic, formerly NYNEX) yellow pages directory operations in Massachusetts (for example, a payment or imputation received from an affiliate under a directory publishing agreement), provide the net operating profit generated by the Verizon (formerly Bell Atlantic, formerly NYNEX) yellow pages directory operations in Massachusetts by such affiliate.

REPLY: Verizon MA objects to the request on the grounds that it is not relevant to the Department's investigation in this Phase of the proceeding, nor is it reasonably calculated to lead to the discovery of admissible evidence.

**Verizon New England Inc.
d/b/a Verizon Massachusetts**

Commonwealth of Massachusetts

D.T.E. 01-31

Respondent: Paula L. Brown
Title: Vice President - Regulatory

REQUEST: Attorney General, Set #1

DATED: July 5, 2001

ITEM: AG-VZ 1-16 Please refer to your May 24, 2001 responses to DTE-VZ-2-6 and 2-7.

- a. Have the public utility commissions for Rhode Island, New Jersey, New York, Pennsylvania, or South Carolina accepted or rejected the applicable Verizon proposed alternative regulation plan? Please produce copies of the commissions' decisions. If no decision has been entered, please so state and briefly summarize the status of the case.
- b. Please produce copies of the state public utility commissions' orders in which the applicable Verizon alternative regulation plans were approved for Vermont, Connecticut, and Maine (Parts 1 and 2).

REPLY:

- a. Rhode Island
The Rhode Island PUC's September 14, 2000 order on the Price Regulation Successor Plan is attached.

New Jersey
Verizon NJ filed its Plan for an Alternative form of Regulation-2 (PAR-2) on February 15, 2001. Discovery concluded on July 13. Hearings are scheduled to begin on July 30 and conclude on October 1, 2001. Although the NJ Board of Public Utilities intends to hold public hearings during this same period, no specific dates have been set. A decision is expected by the end of the year as the current PAR is scheduled to expire.

New York
Verizon New York filed its Incentive Plan and supporting documents in NY Case 00-C-1945 on May 15, 2001. Verizon NY is currently in the discovery process. The parties are scheduled to

REPLY: AG-VZ 1-16
(cont'd)

file their testimony on August 13, 2001. Verizon NY will file its reply testimony on September 13, 2001. No firm date for hearings has been set at this time.

Pennsylvania

The PA PUC has not yet accepted or rejected the alternative regulation plan for Verizon North Pennsylvania. The Administrative Law Judge issued his Recommended Decision on May 31. The Judge recommended that the PUC deny Verizon North's plan because the network modernization proposal did not comply with Chapter 30 (PA's alternative regulation statute). Verizon North Pennsylvania filed Exceptions to the Recommended Decision on June 20. The other parties in the case (AT&T, Office of Consumer Advocate, Office of Trial Staff, Office of Small Business Advocate, and PCTA (Pennsylvania Cable & Telecommunications Association)) filed Reply Exceptions on or before July 2. Action by the PUC is expected by the end of July.

South Carolina

The South Carolina Public Utility Commission has not issued a formal decision on Verizon's Alternative Regulation Plan. By South Carolina Statute, a company may elect to be regulated under a price regulation plan by providing notice to the Commission. Verizon provided such notification on September 14, 2000, with an effective date of October 14, 2000, and has been operating under alternate regulation since that time. Verizon filed its proposed guidelines on November 13, 2000 and there is no specific time line for the Commission to respond. Under the statute, prices for flat-rated local exchange services for residential and single-line business customers cannot be increased from their current levels for two years from the date Verizon filed its election with the Commission. Upon expiration of the two-year period, Verizon may increase those rates pursuant to an inflation-based price index.

b. Vermont

The Vermont Public Service Board's March 24, 2000 order on the Alternative Regulation Plan is voluminous. A copy is being provided to the Department and to the Attorney General's office

REPLY: : AG-VZ 1-16
(cont'd)

Other parties wishing to review the material may do so at a mutually agreeable time at the Company's premises at 125 High Street in Boston.

Connecticut

The Connecticut Department of Public Utility Control's order on the Alternative Regulation Plan was issued on January 31, 2001. A copy of the order is attached.

Maine

Copies of the Maine Public Utilities Commission's June 25, 2000 and May 9, 2001 orders on an Alternative Form of Regulation are attached.

VZ # 50

**Verizon New England Inc.
d/b/a Verizon Massachusetts**

**Commonwealth of Massachusetts
D.T.E. 01-31**

Respondent: Robert Mudge
Title: President Verizon MA

REQUEST: Attorney General, Set #1

DATED: July 5, 2001

ITEM: AG-VZ 1-18 Please define and distinguish the terms “exchange,” “central office,” and “wire center.” For the purposes of this docket, are these terms always interchangeable? If not, why, when and where not?

REPLY: Exchange – A geographical unit established for the administration of communication service in a specified area. It generally consists of one or more central offices together with the associated plant used in furnishing communications within that area.

Central Office – A switching unit in a telephone system, providing service to the general public, having the necessary equipment and operating arrangements for terminating and interconnecting lines. More than one central office may be located in the same building.

Central Office Building – A building containing one or more central offices. There may be more than one central office building in an exchange and one central office building may serve more than one exchange.

Wire Center – The physical structure where the telephone company terminates subscriber outside plant cable. For Verizon MA, each central office is associated with one (and only one) Wire Center.

In most instances, these terms can be used interchangeably. Most exchanges within Massachusetts are served by one (and only one) central office. Some exchanges are served by more than one central office (Boston Central, Cambridge, Waltham, and Lowell, for example) and one central office building (Malden) contains two distinct central offices. A few other localities in MA are served by switches that are physically located in another state (Blackstone is served by the Woonsocket, RI central office).